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**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Application Number: 10/077,182

Filing Date: February 15, 2002

Appellant(s): BLOOM ET AL.

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Denis G. Maloney  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed 01/29/09 appealing from the Office action mailed 07/24/08.

**(1) Real Party in Interest**

A statement identifying by name the real party in interest is contained in the brief.

**(2) Related Appeals and Interferences**

The following are the related appeals, interferences, and judicial proceedings known to the examiner which may be related to, directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal:

Appellant concurrently with this appeal has filed an appeal in application 10/001,900 filed 11/14/01. That appeal has not been docketed to the Board of Appeals.

**(3) Status of Claims**

The statement of the status of claims contained in the brief is correct.

**(4) Status of Amendments After Final**

The amendment after final rejection filed on 10/22/08 has not been entered.

**(5) Summary of Claimed Subject Matter**

The summary of claimed subject matter contained in the brief is correct.

**(6) Grounds of Rejection to be Reviewed on Appeal**

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

**GROUNDS OF REJECTION NOT ON REVIEW**

The following grounds of rejection have not been withdrawn by the examiner, but they are not under review on appeal because they have not been presented for review in the appellant's brief.

1. Double Patenting

**WITHDRAWN REJECTIONS**

The following grounds of rejection are not presented for review on appeal because they have been withdrawn by the examiner. .

- . 1. Claim Rejections - 35 USC § 101.

**(7) Claims Appendix**

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(8) Evidence Relied Upon**

20010025266

Gastineau

9-2001

"Exchange traded funds - the wave of the future?," by Stuart M. Strauss. The Investment Lawyer. Englewood Cliffs: Apr. 2000. Vol. 7, Iss. 4.

**(9) Grounds of Rejection**

The following ground(s) of rejection are applicable to the appealed claims:

***Claim Interpretation***

1. In determining patentability of an invention over the prior art, all claim limitations have been considered and interpreted as broadly as their terms reasonably allow. See MPEP § 2111.

Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

Applicant always has the opportunity to amend the claims during prosecution, and broad interpretation by the examiner reduces the possibility that the claim, once issued, will be interpreted more broadly than is justified. *In re Pruter*, 415 F.2d 1393, 1404-05, 162 USPQ 541, 550-51 (CCPA 1969). See MPEP § 2111.

2. All claim limitations have been considered. Additionally, all words in the claims have been considered in judging the patentability of the claims against the prior art. See MPEP 2106 II C. The following language is interpreted as not further limiting the scope of the claimed invention. See MPEP 2106 II C.

Language in a method claim that states only the intended use or intended result, but the expression does not result in a manipulative difference in the steps of the claim. Language in a system claim that states only the intended use or intended result, but does not result in a structural difference between the claimed invention and the prior art. In other words, if the prior art structure is capable of performing the intended use, then it meets the claim.

Claim limitations that contain statement(s) such as “*if*, *may*, *might*, *can could*”, as optional language. As matter of linguistic precision, optional claim elements do not narrow claim limitations, since they can always be omitted.

Claim limitations that contain statement(s) such as “*wherein*, *whereby*”, that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims.

USPTO personnel should begin claim analysis by identifying and evaluating each claim limitation. For processes, the claim limitations will

define steps or acts to be performed. For products, the claim limitations will define discrete physical structures or materials. Product claims are claims that are directed to either machines, manufactures or compositions of matter. See MPEP § 2106 II C.

The subject matter of a properly construed claim is defined by the terms that limit its scope. It is this subject matter that must be examined. As a general matter, the grammar and intended meaning of terms used in a claim will dictate whether the language limits the claim scope. Language that suggests or makes optional but does not require steps to be performed or does not limit a claim to a particular structure does not limit the scope of a claim or claim limitation. The following are examples of language that may raise a question as to the limiting effect of the language in a claim:

- (A) statements of intended use or field of use,
- (B) "adapted to" or "adapted for" clauses,
- (C) "wherein" clauses, or
- (D) "whereby" clauses.

See MPEP § 2106 II C.

3. Independent claims are examined together, since they are not patentable distinct. If applicant expressly states on the record that two or more independent and distinct inventions are claimed in a single application, the Examiner may require the applicant to elect an invention to which the claims will be restricted.

### ***Double Patenting***

The nonstatutory double patenting rejection is based on a judicially created doctrine grounded in public policy (a policy reflected in the statute) so as to prevent the unjustified or improper timewise extension of the "right to exclude" granted by a patent and to prevent possible harassment by multiple assignees. A nonstatutory obviousness-type double patenting rejection is appropriate where the conflicting claims are not identical, but at least one examined application claim is not patentably distinct from the reference claim(s) because the examined application claim is either anticipated by, or would have been obvious over, the reference claim(s). See, e.g., *In re Berg*, 140 F.3d 1428, 46 USPQ2d 1226 (Fed. Cir. 1998); *In re Goodman*, 11 F.3d 1046, 29 USPQ2d 2010 (Fed. Cir. 1993); *In re Longi*, 759 F.2d 887, 225 USPQ 645 (Fed. Cir. 1985); *In re Van Ornum*, 686

F.2d 937, 214 USPQ 761 (CCPA 1982); *In re Vogel*, 422 F.2d 438, 164 USPQ 619 (CCPA 1970); and *In re Thorington*, 418 F.2d 528, 163 USPQ 644 (CCPA 1969).

A timely filed terminal disclaimer in compliance with 37 CFR 1.321(c) or 1.321(d) may be used to overcome an actual or provisional rejection based on a nonstatutory double patenting ground provided the conflicting application or patent either is shown to be commonly owned with this application, or claims an invention made as a result of activities undertaken within the scope of a joint research agreement.

Effective January 1, 1994, a registered attorney or agent of record may sign a terminal disclaimer. A terminal disclaimer signed by the assignee must fully comply with 37 CFR 3.73(b).

Claims 1-12 provisionally rejected on the ground of nonstatutory obviousness-type double patenting as being unpatentable over claims 1-12, respectively of copending Application No. 10/001,900. Although the conflicting claims are not identical, they are not patentably distinct from each other because both applications are drawn to a: creation unit basket of securities for a first fund having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund; and delivering a prescribed number of shares to account for cash that may be owed between the agent and the participant.

This is a provisional obviousness-type double patenting rejection because the conflicting claims have not in fact been patented.

#### ***Claim Rejections - 35 USC § 112***

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1-20 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claims 1,7,12,16 and 19 is rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps and omitting essential elements, such omission amounting to a gap between the steps and gap between the elements. See MPEP § 2172.01.

The omitted steps and features include:

In claims 1,7,12,16 and 19 are conclusory without identifying the process necessary to arrive at that conclusion. For example, in claim 1, the "recording by the computer, exchange....." and "recording by the computer, delivery" described are conclusory without identifying the process necessary to arrive at that conclusion. For example, before any exchanging can occur one must identify how they are getting a prescribed number of shares, a creation unit etc. The criteria used for determining what the prescribed number of shares will be must also be known. Essential steps required of the invention are missing. For example, the step of calculating the amount of cash needed to be exchanged relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having previously occurred in the process. .

In claims 1,7,12,16 and 19, the claims make reference to intended use/intended results without giving any life or meaning to these statements in the

claims. For example, the claim recites, "to account for a cash amount owed....." but the claimed invention makes no reference to determining when and why a cash amount would even be owed, how the cash amount owed is calculated etc. Also, the language is passive in the claim it could be done but, does not have to be done.

In claims 1,7,12,16 and 19, the dependent claims rely on certain steps and or elements that fail to occur in the independent claims (e.g., net asset value/value). For example, the calculating the amount of cash needed occurring in 2,8,13,17 and 20 relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having previously occurred in the process. None of the independent claims address calculating the net asset value. Thus, dependent claims bear no relationship to the steps performed in the independent claim.

In claim 1, the preamble is drawn to a method of producing a financial product but the claimed invention fails to accomplish that result. How is the financial product produced?

The term "substantially" in claims 1, 7,12,16 and 19 is a relative term which renders the claim indefinite. The term "substantially" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. How is "substantially the same basis" measured?

Claims 1, 3,4,6,7,10,11,12,12,16 and 19 recite the limitation "other securities". What securities are these?

Claims 2 recites the limitation "the net asset value of the first fund, calculated at the close of trading in the second country". There is insufficient antecedent basis for these limitations in the claims. Claims 2,8 and 13 recites the limitations "the value". There is insufficient antecedent basis for these limitations in the claims. Are you talking about net asset value or some other value?

Claims 2, 8,13,17 and 20 recite the limitation "the amount of cash needed to be exchanged". There is insufficient antecedent basis for this limitation in the claims. I.e., The cash amount referred to in the independent claims is the cash amount owed not, the cash amount needed.

Claims 2-6, 8-11, 17-18 and 20 recite the limitation "cash", "the cash" "that cash amount" etc. Is this the cash amount owed? The cash amount needed? Or is it some other cash amount?

In claims 2, 8,13,17 and 20, the claims make reference to intended use/intended results without giving any life or meaning to these statements in the claims. For example, the claims recites, "to have the net asset value of the first fund..... equate to the value of the creation unit baske for that first fund plus or minus that cash amount." The step of calculating the amount of cash needed to be exchanged relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having previously occurred in the process. This step never occurs in the claimed invention. As discussed supra, what the value of the creation unit basket is and where it comes from is unclear. Furthermore, the meaning of having these equate has not been brought into the claim process.

Address similar informalities in dependent claims. The same types of corrections are required for all claims. Please make sure similar deficiencies are addressed for every claim.

Dependent claims are also rejected based on the same rationale as the claims from which they depend.

***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

**Claims 1-20** are rejected under 35 U.S.C. 103(a) as being unpatentable over Gastineau, US Pub. No. 2001/0025266 in view of “Exchange traded funds—the wave of the future ?,” by Stuart M. Strauss. The Investment Lawyer. Englewood Cliffs: Apr. 2000. Vol. 7, Iss. 4.

**Re Claim 1:** Gastineau discloses a method of producing shares in a financial product, which are traded on a first marketplace, the method executed on a computer, the method comprising:

recording by the computer, exchange between a market participant and an agent of a creation unit basket of securities for a first fund for a prescribed number of shares in the first fund, the shares in the first fund trading in a first country~ and the creation unit basket of securities having a creation unit basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second~ different country (Gastineau, [0001] [0002] [0003] [0004]).

Gastineau fails to explicitly disclose a method comprising:

recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

Strauss discloses the method comprising:

recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a method further comprising recording by the computer, delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

**Re Claim 7:** Gastineau discloses a computer program product residing on a computer readable medium for administrating a first fund that is traded on a first marketplace in a first country, the first fund based on a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country (Gastineau, [0001] [0002] [0003] [0004]), the computer program product comprising instructions for causing a processor to:

Gastineau fails to explicitly disclose a computer program product to: determine a number of shares in the second fund or in other securities to account for a cash amount owed between an agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket.

Strauss discloses a computer program product to:

determine a number of shares in the second fund or in other securities to account for a cash amount owed between an agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a computer program product to determine a number of shares in the second fund or in other securities to account for a cash amount owed between an agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

**Re Claim 12:** Gastineau discloses a computer system for administrating a financial product that is traded on a first marketplace, the product based on a creation unit basket of securities having a basis that is substantially the same basis as the creation unit basis for a second fund that is traded on a second marketplace in a different country (Gastineau, [0001] [0002] [0003] [0004]), comprises:

a processor (Gastineau, [0020] [0036]);  
a memory (Gastineau, [0020]); and

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a storage device that stores a program for execution by the processor using the memory, the program comprising instructions for causing the processor to (Gastineau, abstract, [0010] [0020]).:

Gastineau fails to explicitly disclose a computer system to: determine a number of shares in the second fund or number of shares of other securities to account for any "cash amount" that may be owed between the agent and the participant in addition to the prescribed number of shares in the first fund exchanged between the market participant and agent in exchange for the creation unit basket.

Strauss discloses a computer system to: determine a number of shares in the second fund or number of shares of other securities to account for any "cash amount" that may be owed between the agent and the participant in addition to the prescribed number of shares in the first fund exchanged between the market participant and agent in exchange for the creation unit basket (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a computer system to determine a number of shares in the second fund or number of shares of other securities to account for any "cash amount" that may be owed between the agent and the participant in addition to the prescribed number of shares in the first fund exchanged between the market participant and agent in exchange for the creation unit basket.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

**Re Claims 2, 8 and 13:** Gastineau in view of Strauss discloses the claimed invention supra and Strauss further discloses calculating by the computer system the amount of cash needed to be exchanged between the agent and the market participant to have the net asset value of the first fund, calculated at the close of trading in the second country in which the second fund is traded, equate to the value of the creation unit basket for that first fund plus or minus that cash amount, to determine the cash amount owed between the agent and the market participant (Strauss, pgs. 1-3).

**Re Claims 3 and 9:** Gastineau in view of Strauss discloses the claimed method/computer program product supra and Strauss further discloses the method/computer program product wherein if the cash amount is a negative amount the agent issues shares in the second fund or provides shares in the other securities in lieu of the cash amount, and if the cash amount is a positive amount the agent accepts shares in the second fund or in the other securities in lieu of the cash amount (Strauss, pgs. 1-3).

**Re Claims 4:** Gastineau in view of Strauss discloses the claimed invention supra and Strauss further discloses wherein the cash is exchanged to equate the shares in the first fund with the creation unit basket plus or minus the shares in the second fund or in the other securities provided to cover the cash amount (Strauss, pgs. 1-3).

**Re Claims 5,6,11 and 15:** Gastineau in view of Strauss discloses the claimed invention supra and Strauss further discloses wherein the agent sets a maximum cash amount that it will give to or receive from the market participant with respect to the cash amount owed between the agent and the market participant (Strauss, pgs. 1-3); and

wherein transactions that exceed the maximum cash amount will result in issuance or receipt of the shares in the second fund or in the other securities, rather than cash, along with the prescribed number of shares in the first fund (Strauss, pgs. 1-3).

**Re Claims 10 and 14:** Gastineau in view of Strauss discloses the claimed invention supra and Strauss further discloses calculate the cash to exchange from the agent to the market participant or from market participant to the agent to equate the shares in the first fund with the creation unit basket plus or minus the shares in the second fund or in the other securities provided to cover the cash amount (Strauss, pgs. 1-3).

**Re Claim 16:** Gastineau discloses a computer program product residing on a computer readable medium, for administrating a first exchange-traded fund, the computer program product comprising instructions for causing a processor to: record creation of the first exchange-traded fund, the first exchange-traded fund having a prescribed number of shares for trading in a first country, the first exchange-traded fund produced by delivery to an agent, in exchange for the prescribed number of shares of a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second

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exchange-traded fund that has shares traded on a second marketplace in a different country (Gastineau, [0001] [0002] [0003] [0004]);

Gastineau fails to explicitly disclose:  
determine a number of shares in the second exchange-traded fund or other securities to satisfy an amount of cash that is owed between the agent and the participant to allow for delivery of the shares in the second exchange-traded fund or other securities in lieu of cash; and  
record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or other securities to account for the cash.

Strauss discloses:  
determine a number of shares in the second exchange-traded fund or other securities to satisfy an amount of cash that is owed between the agent and the participant to allow for delivery of the shares in the second exchange-traded fund or other securities in lieu of cash (Strauss, pgs. 1-3); and  
record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or other securities to account for the cash (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide: determine a number of shares in the second exchange-traded fund or other securities to satisfy an amount of cash that is

owed between the agent and the participant to allow for delivery of the shares in the second exchange-traded fund or other securities in lieu of cash; and record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or other securities to account for the cash.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

**Re Claim 19:** Gastineau discloses a method for administrating a first exchange-traded fund, the method comprising:

producing the first exchange-traded fund by (Gastineau, [0001] [0002] [0003] [0004]); recording by the computer, delivery from a participant to an agent a creation unit basket of securities for the first exchange-traded fund, in exchange for a prescribed number of shares in the first exchange-traded fund, the shares for the first exchange-traded fund trading in a first country and the first exchange-traded fund having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund (Gastineau, [0001] [0002] [0003] [0004]);

Gastineau fails to explicitly disclose:  
determining by the computer a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash; and

recording by the computer the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash.

Strauss discloses:

determining by the computer a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash (Strauss, pgs. 1-3);

recording by the computer the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide: determining by the computer a number of shares in the second exchange-traded fund or in other securities to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash; and

recording by the computer the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

**Claims 17 and 20** contain features or limitations recited in claims 2, 8 and 13 and are rejected under the same rationale.

**Claim 18** contains features or limitations recited in claims 5,6,11 and 15 and are rejected under the same rationale.

#### **(10) Response to Argument**

##### **112**

First, applicant argues Claims 1.7, 12. 16. and 19 are Complete and Not Conclusory.

Regarding applicant's assertion that there is no need to address subject matter considered to be essential because it is addressed in the specification. It is noted, although the claims are read in light of the specification, limitations from the specification are not read into the claims.

Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

For example, f "producing the shares in the product" is the objective of the claimed invention as applicant appears to suggest. (Applicant's Appeal Brief, pg. 15, 01/29/09). It is noted that this is never accomplished by the limitations recited in the body of the claimed invention.

Regarding, the use of intended use/intended result language, passive language etc. As noted supra, the subject matter of a properly construed claim is

defined by the terms that limit its scope. For example, Claim 1 is just recording data. The type of data recorded is nonfunctional descriptive material. See remarks below. For example, claims 7 and 12 although the claims "determine a number of shares in the second fund or in other securities ...." the subsequent language "to account for a cash amount owed ..." is an intended use/result recitation. There is no requirement in the claimed invention that a transaction occurred between the agent and a market participant; and even if a transaction occurred there is no requirement that a cash amount will be owed (e.g., situation where the shares/creation unites already equate). Claims 16 and 19 exemplify both the issues described above for claim 1 (e.g., merely recording data, the data being nonfunctional descriptive material) and claims 16 and 19 (e.g., using intended use/intended result language , passive language). Note claim 1 similarly has intended use/result, passive language issues.

Furthermore, the step of calculating the amount of cash needed occurring in 2,8,13,17 and 20 relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having previously occurred in the process. None of the independent claims address calculating the net asset value. Thus, dependent claims bear no relationship to the steps performed in the independent claim. The net asset value is an important input needed to calculate the amount of cash needed to be exchanged between the agent and the market participant.

Second, applicant argues the preamble of Claim 1 is Proper

In response to applicant's arguments, the recitation has not been given patentable weight because the recitation occurs in the preamble; and as noted supra the body of the claim never performs the act of "producing shares in a financial product."

A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone. See *In re Hirao*, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

Third, applicant argues the term "substantially" Is not indefinite.

Applicant's specification fails to provide some standard for measuring "substantially." The cited portions of applicant's specification define or liken the term "substantially" to "preferably essentially identical to." The term "essentially" however, is also a relative term. (See Applicant's Specification, pg. 4, Specification 02/15/02) Defining a relative term by using another relative term fails to cure the claim indefiniteness. Similarly, the reference in applicant's remarks that substantially is "akin to about" is also ineffective because the term "about" is also a relative term. (See Applicant's Remarks, pg. 10, 06/18/07)

Furthermore, applicant's own remarks contradict the notion that one of ordinary skill in the art would be apprised of the scope of the term "substantially." As suggested by the applicant the degree of "substantially" could be arbitrarily changed depending upon the desires of a given user.

One Skilled .in the art could depart from identical creation unit basis according lo the degree that one would desire to depart from the exactness of arbitrage between the: two funds. (Applicant's Remarks, pg. 10, 06/18/07)

Fourth, applicant argues "Other securities", "value", and Other Terms Would Be Understood By One Skilled In The Art

Regarding applicant's assertion that there is no need to address subject matter considered to be essential because it is addressed in the specification. It is noted, although the claims are read in light of the specification, limitations from the specification are not read into the claims.

Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

What is meant by "other securities" is unclear and indefinite in the claimed invention. In applicant's appeal brief, pg. 16 applicant states:

Other securities, as disclosed in the specification, can be any other securities other than shares in the first fund and the second fund, which is already covered in the delivery of the second recording action, as set forth in the specification. (Applicant's Appeal Brief, pg. 16, 01/29/09)

Based on applicant's appeal brief, it would be understood that the meaning of the phrase "other securities" would include any security that was not shares in either the first fund or the second fund.

The claimed invention recites "shares in the second fund or in other securities" which is written in the alternative form suggesting that the phrase "other securities" would include any security that was not shares in the second fund for example.

Thus, there are at least two interpretations regarding the meaning and scope of "other securities" making the use of the term in the claims unclear and indefinite.

What is meant by "value" is unclear and indefinite in the claimed invention. At a minimum, the use of the term "value" at times and "net asset value" other times creates clarity issues due to the use of inconsistent terminology as well as problems with respect to antecedent basis. Applicant's own comments in the appeal brief would suggest a larger problem however, a problem of scope. For example, applicant's brief states:

Regarding Claims 4, 10, 15 and 25, the features of "value," could be a value or net asset value. (Applicant's Appeal Brief, pg. 16, 01/29/09)

"Value": is a broad term encompassing anything with respect to its relative worth, merit or importance. "Net Asset Value" however, is a term of art used in Finance. One of ordinary skill in the art is not on notice as to when one type of value or another is intended or required.

Fifth, applicant argues antecedent basis is sufficient.

The independent claims from which claims 2, 8 and 13 depend make no prior reference to the net asset value, creating an antecedent basis problem.

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Claim 1

First, applicant's preamble has not been given patentable weight because the recitation occurs in the preamble; and as noted supra the body of the claim never performs the act of "producing shares in a financial product."

A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone.

See *In re Hirao*, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

Second, a method claim is defined by the steps or acts performed. If that is the case, the only steps performed by the claimed method are “recording by the computer ....” and “recording by the computer.....” In other words, the claimed method is just storing data.

The steps performed by the computer do not require any use of the data. The data recorded by the computer is not used by the computer to perform any calculation or render any decision. The data recorded by the computer is nothing more than nonfunctional descriptive material. The data is considered to be non-functional, and thus not further limiting, because the particular data obtained has no bearing on the actively recited steps of the method claim. The actual “exchange ....” and “delivery ....” relies entirely on decisions and actions by people (i.e., the market participant and agent) and the claim is recited in a way that does not make the actions of these people required (e.g., intended use/result language, passive language).

Certain types of descriptive material, such as music, literature, art, photographs, and mere arrangements or compilations of facts or data, without any functional interrelationship is not a process, machine, manufacture, or composition of matter. See MPEP § 2106, II.

When nonfunctional descriptive material is recorded on some computer-readable medium, in a computer or on an electromagnetic carrier signal, it is not statutory since no requisite functionality is present to satisfy the practical application requirement. Merely claiming nonfunctional descriptive material, i.e., abstract ideas, stored on a computer readable medium, in a computer or on an electromagnetic carrier signal, does not make it statutory. See *Diamond v. Diehr*, 450 U.S. 175, 185-6, 209 USPQ 1, 8 (noting that the claims for an algorithm in Benson were unpatentable as abstract ideas because “[t]he sole practical application of the algorithm was in connection with the programming of a general purpose computer.”) Such a result would exalt form over substance. *In re Sarkar*, 588 F.2d 1330, 1333, 200 USPQ 132, 137 (CCPA 1978) .

Gastineau describes how exchange traded funds or basket products such as S&P 500 Depository Receipts (SPDRs) are vehicles for holding a basket of securities that can be traded on an exchange or securities market. [Gastineau, [0002]. Gastineau describes how shares in these types of products may be created or redeemed at the end of each business day at a net asset value price in "creation units." Gatineau also describes how a variety of participants may interact with the exchange, securities market with respect to these products such as brokers, dealers and investors. Gastineau, further describes the attributes and characteristics of these types of exchanges, electronic markets etc. which include memory 14 and persistent storage device 16. (Gastineau, Fig. 1, 20).

As such Gastineau describes, "A method of producing shares in a financial product, which are traded on a first marketplace, the method executed on a computer ...." although as noted above this is not a required attribute of the claimed invention. Gastineau further discloses how such a process involves "recording by the computer ...." data relevant to producing shares in a financial product.

Strauss introduces the idea of an in-kind exchange. Strauss suggests shares may be purchased at NAV in blocks of shares called creation units. Strauss also suggests that the purchases are effected through the tender of a basket of securities. Strauss further describes that there may be a requirement to also provide a plus or minus balancing amount. (Strauss, pgs. 2-3)

As noted *supra*, recording “exchange between a market participant and an agent of a creation unit basket of securities for a first fund for a prescribed number of shares in the first fund, the shares in the first fund trading in a first country, and the creation unit basket of securities having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country;” and recording “delivery by either the agent or the market participant a number of shares in the second fund or in other securities to account for a cash amount owed between the agent and the market participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund” have been interpreted as nonfunctional descriptive material and not further limiting of the invention claimed.

#### Claims 7 and 12

First, applicant’s preamble has not been given patentable weight because the recitation occurs in the preamble.

A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and

where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone.

See *In re Hirao*, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

As noted supra, Gastineau describes how exchange traded funds or basket products such as S&P 500 Depository Receipts (SPDRs) are vehicles for holding a basket of securities that can be traded on an exchange or securities market. [Gastineau, [0002]. Gastineau describes how shares in these types of products may be created or redeemed at the end of each business day at a net asset value price in "creation units." Gastineau also describes how a variety of participants may interact with the exchange, securities market with respect to these products such as brokers, dealers and investors. Gastineau, further describes the attributes and characteristics of these types of exchanges, electronic markets etc. which include CPU 12, memory 14 and persistent storage device 16. (Gastineau, Fig. 1, 20).

As such Gastineau describes, "A computer program product residing on a computer readable medium/computer system for administrating a first fund that is traded on a first marketplace in a first country ....." although as noted above this is not a required attribute of the claimed invention. Gastineau further describes the computing means through which implementation may occur such as, "a processor: a memory; and a storage device that stores a program for execution by the processor using the memory, the program comprising instructions for causing the processor to: ....."

Regarding, "determine a number of shares in the second fund or in other securities ***to account for a cash amount owed between an agent and a market participant in addition to a prescribed number of shares in the first fund exchanged between the market participant and the agent in exchange for the creation unit basket.***" As noted, supra the bolded and italicized language has been interpreted as not further limiting of the claimed invention because of the use of intended use/intended result language, passive language etc. As far as determining a number of shares in a fund or other securities, Strauss suggests that this is accomplished in association with NAV purchases. Strauss introduces the idea of an in-kind exchange. Strauss suggests shares may be purchased at NAV in blocks of specified number of shares called creation units. Strauss also suggests that the purchases are effected through the tender of a basket of securities. Strauss further describes that there may be a requirement to also provide a plus or minus balancing amount. (Strauss, pgs. 2-3).

#### Claims 16 and 19

If the claimed invention is defined by the steps or acts performed, then a significant part of the claimed invention is just the storing of data.

With respect to claim 16, the computer program product comprises instructions for causing a processor to "record" data such as to "record creation of the first exchange-traded fund ...." however, what is recorded "the first exchange-traded fund produced by delivery from a market participant to an agent, in exchange for the prescribed number of shares in the first exchange-

traded fund, of a creation unit basket of securities for the first exchange-traded fund having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second country” and “the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities **to account for the cash**” is nonfunctional descriptive material.

Similarly, with respect to claim 19, the method comprises “recording by the computer ....” and “recording by the computer ....”. What is recorded, “delivery from a market participant to an agent a creation unit basket of securities for the first exchange-traded fund, in exchange for a prescribed number of shares in the first exchange-traded fund, the shares for the first exchange-traded fund trading in a first country and the creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second country” and “the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities **to account for the cash**” respectively, is nonfunctional descriptive material.

In other words, the limitations noted above from the claimed inventions are just storing data. The steps performed by the computer do not require any use of the data. The data recorded by the computer are not used by the computer to

perform any calculation or render any decision. The data recorded by the computer is nothing more than nonfunctional descriptive material. The data is considered to be non-functional, and thus not further limiting, because the particular data obtained has no bearing on the actively recited steps of the method claim.

Certain types of descriptive material, such as music, literature, art, photographs, and mere arrangements or compilations of facts or data, without any functional interrelationship is not a process, machine, manufacture, or composition of matter. See MPEP § 2106, II.

When nonfunctional descriptive material is recorded on some computer-readable medium, in a computer or on an electromagnetic carrier signal, it is not statutory since no requisite functionality is present to satisfy the practical application requirement. Merely claiming nonfunctional descriptive material, i.e., abstract ideas, stored on a computer readable medium, in a computer or on an electromagnetic carrier signal, does not make it statutory. See *Diamond v. Diehr*, 450 U.S. 175, 185-6, 209 USPQ 1, 8 (noting that the claims for an algorithm in Benson were unpatentable as abstract ideas because “[t]he sole practical application of the algorithm was in connection with the programming of a general purpose computer.”) Such a result would exalt form over substance. *In re Sarkar*, 588 F.2d 1330, 1333, 200 USPQ 132, 137 (CCPA 1978) .

Furthermore, as noted supra, the bolded and italicized language has been interpreted as not further limiting of the claimed invention because of the use of intended use/intended result language, passive language etc.

Secondly, both claims rely entirely on decisions and actions by people (i.e., the market participant and agent) and the claim is recited in a way that does not make the actions of these people required (e.g., intended use/result language, passive language).

Gastineau describes how exchange traded funds or basket products such as S&P 500 Depository Receipts (SPDRs) are vehicles for holding a basket of securities that can be traded on an exchange or securities market. [Gastineau, [0002]. Gastineau describes how shares in these types of products may be created or redeemed at the end of each business day at a net asset value price in "creation units." Gatineau also describes how a variety of participants may interact with the exchange, securities market with respect to these products such as brokers, dealers and investors. Gastineau, further describes the attributes and characteristics of these types of exchanges, electronic markets etc. which include memory 14 and persistent storage device 16. (Gastineau, Fig. 1, 20).

As such Gastineau discloses with respect to claim 16, "A computer program product residing on a computer readable medium, for administrating a first exchange-traded fund ...." Gastineau further discloses the means by which associated data is recorded for example, to "record creation of the first exchange-traded fund ...." As such Gastineau discloses with respect to claim 19, "A method for administrating a first exchange-traded fund ....". Gastineau further discloses the means by which associated data is recorded for example, for "recording by the computer delivery from a market participant to an agent a creation unit basket of securities for the first exchange-traded fund, in exchange for a prescribed number of shares in the first exchange-traded fund ...."

Regarding the limitation "producing the first exchange-traded fund by" as recited in claim 19, as noted above for claim 1 this attribute is taught by Gastineau.

Regarding, "determine a number of shares in the second exchange-traded fund or in other securities ***to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash;*** and record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities ***to account for the cash,***" in claim 16 and "determining by the computer a number of shares in the second exchange-traded fund or in other securities ***to satisfy an amount of cash that is owed between the agent and the market participant to allow for delivery of the shares in the second exchange-traded fund or in the other securities in lieu of the cash;*** and recording by the computer the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities ***to account for the cash***" in claim 19.

As noted, supra the bolded and italicized language has been interpreted as not further limiting of the claimed invention because of the use of intended use/intended result language, passive language etc. Furthermore, as noted supra the data recorded by the computer has been interpreted as nonfunctional descriptive material.

As far as determining a number of shares in a fund or other securities and the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund or in the other securities to account for the cash as described in claims 16 and 19. Strauss suggests that this is accomplished in association with NAV purchases. Strauss introduces the idea of an in-kind exchange. Strauss suggests shares may be purchased at NAV in blocks of specified number of shares called creation units. Strauss also suggests that the purchases are effected through the tender of a basket of securities. Strauss further describes that there may be a requirement to also provide a plus or minus balancing amount. (Strauss, pgs. 2-3).

Claims 2, 4, 8, 10, 13 and 14

These dependent claims, similar to the independent claims from which they depend, rely on intended use/intended result language, passive language etc.

Claim 2 recites, “calculating by the computer system the amount of cash needed to be exchanged between the agent and the market participant **to have the net asset value of the first fund, calculated at the close of trading in the second country in which the second fund is traded, equate to the value of the creation unit basket for that first fund plus or minus that cash amount, to determine the cash amount owed between the agent and the market participant.** Similar rationale for claims 8 and 13.

Claim 4 recites, “wherein the cash is exchanged **to equate the shares in the first fund with the creation unit basket plus or minus the shares in the second fund or in the other securities provided to cover the cash amount.**”

Similar rationale for claims 4, 10 and 14.

As noted, supra the bolded and italicized language has been interpreted as not further limiting of the claimed invention because of the use of intended use/intended result language, passive language etc. The claimed invention never performs the steps or acts recited in the language interpreted as an intended use/result, passive language etc.. As noted supra, for example, since the computer of the claimed invention never performs the act of calculating the net asset value of the second fund at the close of trading in the second country, there is no guarantee that it will occur or is required to occur. In addition to the computer of the claimed invention not calculating the net asset value of the second fund at the close of trading in the second country, it does not obtain the calculation from another source. It is unclear how the computer could receive as an output the calculation of the amount of cash needed to be exchanged between the agent and the market participant when the computer would need to receive or calculate, as at least one of the inputs, the calculation of the net asset value of the second fund at the close of trading in the second country.

Furthermore, as noted supra if claims are to be interpreted by terms that limit its scope. Then language such as “wherein” clauses that fail to further define the steps or acts to be performed in method claims or the discrete physical

structure required of system claims; and language such as "if" which may or may not occur does not accomplish the result of limiting the scope of the claimed invention.

Regarding, "calculating by the computer system the amount of cash needed to be exchanged between the agent and the market participant ...." and "wherein the cash is exchanged ....."

Strauss describes how cash may be used to ensure that shares are purchased at NAV. (Strauss, pgs. 2-3)

### Claims 3 and 9

The claims are obvious in light of Gastineau in view of Strauss for reasons analogous to those given supra for claims 2, 4, 8, 10, 13 and 14.

Furthermore, if claims are to be interpreted by terms that limit its scope. Then language such as "wherein" clauses that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims; and language such as "if" which may or may not occur does not accomplish the result of limiting the scope of the claimed invention.

### Claims 17, 18 and 20

The claims are obvious in light of Gastineau in view of Strauss for reasons analogous to those given supra for claims 2, 4, 8, 10, 13 and 14.

Futhermore, with respect to claims 17 and 20, similar to the independent claims from which they depend, the claims rely on intended use/intended result language, passive language etc.

Furthermore, with respect to claim 18, it is unclear how the underlying computer of the claimed invention can even calculate whether transactions exceed a maximum cash amount. As noted supra, the computer never receives the inputs needed to calculate the cash amount let alone to determine whether it exceeds a maximum cash amount.

#### Claims 5, 6, 11 and 15

The claims are obvious in light of Gastineau in view of Strauss for reasons analogous to those given supra for claims 2, 4, 8, 10, 13 and 14.

Furthermore, with respect to claims 5 and 6 , if claims are to be interpreted by terms that limit its scope. Then language such as “wherein” clauses that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims; and language such as “if” which may or may not occur does not accomplish the result of limiting the scope of the claimed invention.

Furthermore, with respect to 11 and 15, it is unclear how the underlying computer of the claimed invention can even calculate whether transactions exceed a maximum cash amount. As noted supra, the computer never receives

the inputs needed to calculate the cash amount let alone to determine whether it exceeds a maximum cash amount.

KSR

The claimed invention would have been obvious to one of ordinary skill in the art. The concept of exchange-traded funds was old and well-known at the time the invention was made. See citation supra for Gastineau.

The concept of in-kind purchase and redemption with respect to exchange-traded funds was old and well-known at the time the invention was made. In exchange for a given creation unit for a fund, a number of shares plus/minus a cash component could be exchanged, such that the values exchanged are equal. Furthermore, it was old and well-known that this purchase and redemption occurred at net asset value. See citation supra for Strauss.

As suggested by Strauss allowing for purchase and redemption at net asset value helps to close any gap that may exist between the market price of the shares and the net asset value, which can be closed through arbitrage.

Applicant argues, that it is non-obvious that when the creation unit basis between the first fund and the second fund are the same (or nearly the same) and when the net asset value is taken at the same time, that shares in the second fund could also be used. It is noted that this is also obvious in light of the teachings of Gastineau and Strauss. This is also a type of in-kind exchange that is old and well-known in fields related to bartering, trading and exchanges. The idea that something (i.e., usually other than money) that is an equivalent or near

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equivalent (i.e., in value, use etc.) can be given as an alternative or replacement for something else.

Re claims 1-20: The claimed invention applies prior art elements according to known methods to yield predictable results. Thus, the claimed subject matter likely would have been obvious under KSR. KSR, 127 S.Ct. at 1741, 82 USPQ2d at 1396.

Re claims 1-20: Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art. Thus, the claimed subject matter likely would have been obvious under KSR. KSR, 127 S.Ct. at 1741, 82 USPQ2d at 1396.

### Automation

It is not 'invention' to broadly provide a mechanical or automatic means to replace manual activity which has accomplished the same result. *In re Venner*, 120 USPQ 192 (CCPA 1958) *In re Rundell*, 9 USPQ 220

### Hindsight

In response to applicant's argument that the examiner's conclusion of obviousness is based upon improper hindsight reasoning, it must be recognized that any judgment on obviousness is in a sense necessarily a reconstruction based upon hindsight reasoning. But so long as it takes into account only knowledge which was within the level of ordinary skill at the time the claimed invention was made, and does not include knowledge gleaned only from the

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applicant's disclosure, such a reconstruction is proper. See *In re McLaughlin*, 443 F.2d 1392, 170 USPQ 209 (CCPA 1971).

In considering disclosure of reference patent, it is pertinent to point out not only specific teachings of patent but also the reasonable inferences which one skilled in the art would logically draw therefrom. *In re Shepard*, 138 USPQ 148 (CCPA 1963)

**(11) Related Proceeding(s) Appendix**

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

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